

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Ed Langgard	President	2006
Nancy Coffman	Vice President	2005
Keith Stetzel	Board Member	2007
Jamie Patrick	Board Member	2005
Curt Sloss	Board Member	2006
Board of Education (After September 2005 Election)		
Curt Sloss	President	2006
Keith Stetzel	Vice President	2007
Nancy Coffman	Board Member	2008
Jamie Patrick	Board Member	2008
Ed Langgard	Board Member	2006
School Officials		
Steve Smith	Superintendent	2006
Joni Rees	District Secretary/Treasurer and Business Manager	2006
Rick Engel	Attorney	2006

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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Guthrie Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Guthrie Center Community School District, Guthrie Center, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Guthrie Center Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2006 on our consideration of the Guthrie Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 23, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,117,475 in fiscal 2005 to \$4,376,571 in fiscal 2006, while General Fund expenditures increased from \$4,022,004 in fiscal 2005 to \$4,335,169 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$101,608 in fiscal 2005 to a balance of \$143,598 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in property tax, tuition revenues, and interest income during fiscal 2006. The increase in expenditures was due primarily to an increase in expenditures for instruction and support services.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$16,360 in fiscal year 2005 to \$21,681 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Guthrie Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Guthrie Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Guthrie Center Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Guthrie Center Community School District Annual Financial Report

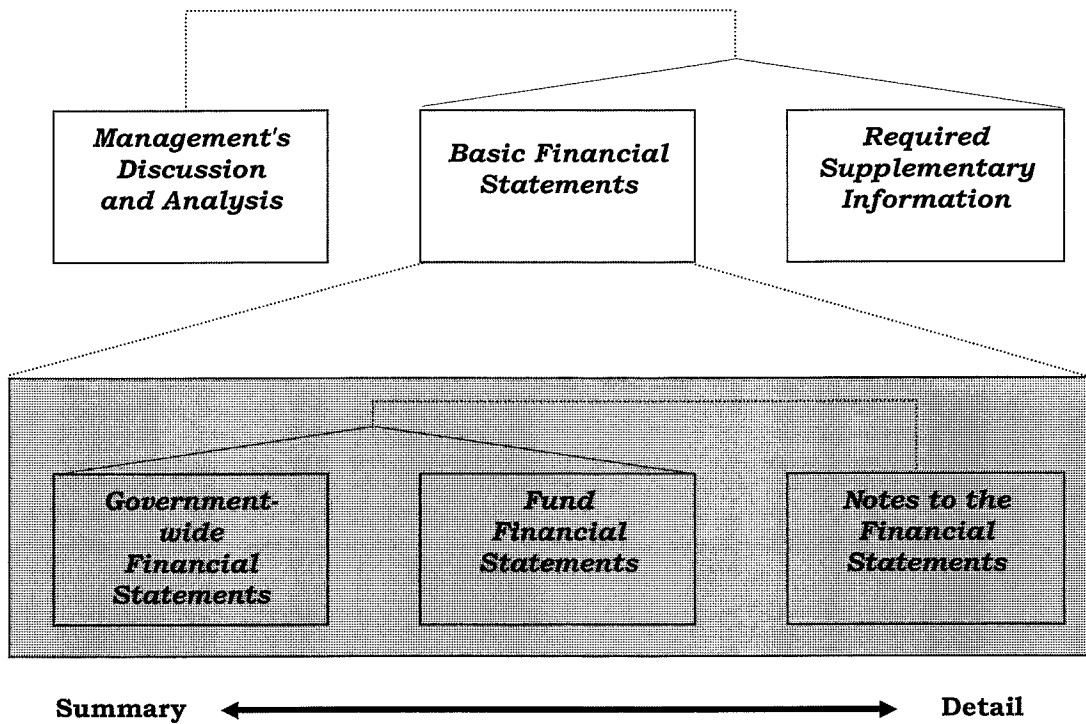


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,681,917	2,457,851	22,260	28,219	2,704,177	2,486,070	8.77%
Capital assets	3,975,980	3,914,306	11,681	9,026	3,987,661	3,923,332	1.64%
Total assets	6,657,897	6,372,157	33,941	37,245	6,691,838	6,409,402	4.41%
Long-term obligations	652,625	724,666	0	0	652,625	724,666	-9.94%
Other liabilities	2,137,996	2,094,877	15,881	15,709	2,153,877	2,110,586	2.05%
Total liabilities	2,790,621	2,819,543	15,881	15,709	2,806,502	2,835,252	-1.01%
Net assets:							
Invested in capital assets, net of related debt	3,387,246	3,243,458	11,681	9,026	3,398,927	3,252,484	4.50%
Restricted	356,788	229,082	0	0	356,788	229,082	55.75%
Unrestricted	123,242	80,074	6,379	12,510	129,621	92,584	40.00%
Total net assets	\$ 3,867,276	3,552,614	18,060	21,536	3,885,336	3,574,150	8.71%

The District's combined net assets increased by 8.71%, or approximately \$311,186, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$127,706 or 55.75% over the prior year. The increase was primarily a result of the Capital Projects Fund having a fiscal year 2006 balance \$105,757 instead of a deficit \$24,912 that was present in fiscal year 2005.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$37,037, or 40.0%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 346,632	568,514	113,505	107,522	460,137	676,036	-31.94%
Operating grants and contributions and restricted interest	869,392	622,228	114,006	109,044	983,398	731,272	34.48%
General revenues:							
Property tax	1,771,493	1,782,578	0	0	1,771,493	1,782,578	-0.62%
Local option sales tax	132,272	874	0	0	132,272	874	100.00%
Unrestricted state grants	2,013,193	1,837,487	0	0	2,013,193	1,837,487	9.56%
Other	21,681	16,360	43	73	21,724	16,433	32.20%
Total revenues	5,154,663	4,828,041	227,554	216,639	5,382,217	5,044,680	6.69%
Program expenses:							
Governmental activities:							
Instructional	3,066,421	3,033,188	0	0	3,066,421	3,033,188	1.10%
Support services	1,442,357	1,149,493	0	0	1,442,357	1,149,493	25.48%
Non-instructional programs	2,646	0	231,030	211,751	233,676	211,751	10.35%
Other expenditures	329,165	363,513	0	0	329,165	363,513	-9.45%
Total expenses	4,840,589	4,546,194	231,030	211,751	5,071,619	4,757,945	6.59%
Excess of revenues over expenses	314,074	281,847	(3,476)	4,888	310,598	286,735	8.32%
Other financing sources, net	588	991	0	0	588	991	100.00%
Change in net assets	314,662	282,838	(3,476)	4,888	311,186	287,726	8.15%
Net assets beginning of year	3,552,614	3,269,776	21,536	16,648	3,574,150	3,286,424	8.75%
Net assets end of year	3,867,276	3,552,614	18,060	21,536	3,885,336	3,574,150	8.71%

Property tax, local option sales and service tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,154,663 and expenses were \$4,840,589.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,066,421	2,059,482
Support services	1,442,357	1,442,357
Non-instructional	2,646	2,646
Other expenditures	329,165	120,080
Totals	\$ 4,840,589	3,624,565

-
- The cost financed by users of the District's programs was \$346,632.
 - Federal and state governments subsidized certain programs with grants and contributions totaling \$869,392.
 - The net cost of governmental activities was financed with \$1,771,493 in property tax, \$132,272 in local option sales tax, \$2,013,193 in unrestricted state grants, \$21,681 in interest income and \$588 as a gain on sale of capital assets.

Business-Type Activities

Revenues of the District's business-type activities were \$227,554 and expenses were \$231,030. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Guthrie Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$460,166, above last year's ending fund balances of a \$291,182.

Governmental Fund Highlights

The District's improving General Fund financial position from \$101,608 to \$143,598 is the product of many factors:

- Increase in state grants and increase in tax levy during the year resulted in an increase in revenues.
- The increase in expenditures was less than the increase in revenues resulting in a net increase of \$41,990.
- The Physical Plant and Equipment Levy Fund balance decreased from \$80,406 in fiscal 2005 to \$52,215 in fiscal 2006. This is due to the growth in expenditures outpacing the growth in revenues for the fund. The increase in expenditures is mainly attributed to the purchase of a new bus and completing the concession stand and wrestling facility projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$21,536 at June 30, 2005 to \$18,060 at June 30, 2006, representing a decrease of 16.1%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie Center Community School District amended its annual budget one time to reflect additional expenditures associated with all three expense functional areas. Total District expenditures were increased by \$236,234 to cover increased expenditures for increases in fuel prices, the purchase of a new bus, oven replacement for food service, and building projects in process.

The District's revenues were \$86,479 more than budgeted revenues, a variance of 2%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Although it is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund, the District still exceeded its budget. The District still exceeded the budget in the support services and non-instructional functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$3,987,661, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$206,068.

The original cost of the District's capital assets was \$6,823,539. Governmental funds account for \$6,765,168 with the remaining of \$58,371 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$198,718 at June 30, 2005, compared to \$70,068 reported at June 30, 2006. This decrease resulted from the completion of the concession stand and wrestling facility projects.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 49,800	49,800	0	0	49,800	49,800	0.00%
Construction in progress	70,068	198,718	0	0	70,068	198,718	-64.74%
Buildings	3,503,817	3,314,184	0	0	3,503,817	3,314,184	5.72%
Land improvements	158,304	174,669	0	0	158,304	174,669	-9.37%
Machinery and equipment	193,991	176,935	11,681	9,026	205,672	185,961	10.60%
Total	\$ 3,975,980	3,914,306	11,681	9,026	3,987,661	3,923,332	1.64%

Long-Term Debt

At June 30, 2006, the District had \$652,625 in general obligation and other long-term debt outstanding. This represents a decrease of 9.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$625,000 at June 30, 2006.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$27,625 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General Obligation Bonds	\$ 625,000	705,000	-11.3%
Early Retirement	27,625	19,666	40.5%
	<u>\$ 652,625</u>	<u>724,666</u>	<u>-9.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The one cent tax on sales and services will continue to be a great benefit to the District in maintaining buildings, purchasing equipment and debt repayment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Rees, Board Secretary, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 631,613	18,848	650,461
Receivables:			
Property tax:			
Delinquent	38,740	0	38,740
Succeeding year	1,650,297	0	1,650,297
Income surtax	88,463	0	88,463
Other	46,206	0	46,206
Due from other governments	226,598	0	226,598
Inventories	0	3,412	3,412
Capital assets, net of accumulated depreciation(Note 3)	3,975,980	11,681	3,987,661
TOTAL ASSETS	6,657,897	33,941	6,691,838
LIABILITIES			
Accounts payable	21,608	0	21,608
Salaries and benefits payable	431,844	13,190	445,034
Interest payable	4,708	0	4,708
Deferred revenue:			
Succeeding year property tax	1,650,297	0	1,650,297
Other	29,539	2,691	32,230
Long-term liabilities(Note 4):			
Portion due within one year:			
General obligation bonds payable	75,000	0	75,000
Early retirement payable	27,625	0	27,625
Portion due after one year:			
General obligation bonds payable	550,000	0	550,000
TOTAL LIABILITIES	2,790,621	15,881	2,806,502
NET ASSETS			
Investment in capital assets, net of related debt	3,387,246	11,681	3,398,927
Restricted for:			
Early intervention	78,646	0	78,646
Talented and gifted	2,548	0	2,548
Management	71,199	0	71,199
Physical plant and equipment levy	52,215	0	52,215
Capital projects	105,757	0	105,757
Other special revenue purposes	46,423	0	46,423
Unrestricted	123,242	6,379	129,621
TOTAL NET ASSETS	\$ 3,867,276	18,060	3,885,336

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,760,519	346,632	660,307	(753,580)	0
Special instruction	717,294	0	0	(717,294)	0
Other instruction	588,608	0	0	(588,608)	0
	<u>3,066,421</u>	<u>346,632</u>	<u>660,307</u>	<u>(2,059,482)</u>	<u>0</u>
Support services:					
Student services	112,739	0	0	(112,739)	0
Instructional staff services	240,937	0	0	(240,937)	0
Administration services	452,914	0	0	(452,914)	0
Operation and maintenance of plant services	467,719	0	0	(467,719)	0
Transportation services	168,048	0	0	(168,048)	0
	<u>1,442,357</u>	<u>0</u>	<u>0</u>	<u>(1,442,357)</u>	<u>0</u>
Non-instructional programs	<u>2,646</u>	<u>0</u>	<u>0</u>	<u>(2,646)</u>	<u>(2,646)</u>
Other expenditures:					
Facilities acquisitions	0	0	57,395	57,395	0
Long-term debt interest and fiscal charges	31,383	0	0	(31,383)	0
AEA flowthrough	151,690	0	151,690	0	0
Depreciation(unallocated)*	146,092	0	0	(146,092)	0
	<u>329,165</u>	<u>0</u>	<u>209,085</u>	<u>(120,080)</u>	<u>0</u>
Total governmental activities	<u>4,840,589</u>	<u>346,632</u>	<u>869,392</u>	<u>(3,624,565)</u>	<u>0</u>
Business-Type activities:					
Non-instructional programs:					
Nutrition services	231,030	113,505	114,006	0	(3,519)
Total business-type activities	<u>231,030</u>	<u>113,505</u>	<u>114,006</u>	<u>0</u>	<u>(3,519)</u>
Total	<u>\$ 5,071,619</u>	<u>460,137</u>	<u>983,398</u>	<u>(3,624,565)</u>	<u>(3,519)</u>
General Revenues:					
Local tax for:					
General purposes				\$ 1,477,104	0
Capital outlay				182,193	0
Debt service				112,196	0
Local option sales and services				132,272	0
Unrestricted state grants				2,013,193	0
Unrestricted investment earnings				21,681	43
Gain on sale of capital assets				588	0
Total general revenues				<u>3,939,227</u>	<u>43</u>
Changes in net assets				314,662	(3,476)
Net assets beginning of year				3,552,614	21,536
Net assets end of year				<u>\$ 3,867,276</u>	<u>18,060</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 369,236	60,229	202,148	631,613
Receivables:				
Property tax				
Delinquent	30,077	0	8,663	38,740
Succeeding year	1,308,896	0	341,401	1,650,297
Income surtax	88,463	0	0	88,463
Other	678	45,528	0	46,206
Due from other governments	226,598	0	0	226,598
TOTAL ASSETS	\$ 2,023,948	105,757	552,212	2,681,917
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 21,608	0	0	21,608
Salaries and benefits payable	431,844	0	0	431,844
Deferred revenue:				
Succeeding year property tax	1,308,896	0	341,401	1,650,297
Income surtax	88,463	0	0	88,463
Other	29,539	0	0	29,539
Total liabilities	1,880,350	0	341,401	2,221,751
Fund balances:				
Reserved for:				
Debt service	0	0	40,974	40,974
Early intervention	78,646	0	0	78,646
Talented and gifted	2,548	0	0	2,548
Unreserved:				
Undesignated	62,404	105,757	169,837	337,998
Total fund balances	143,598	105,757	210,811	460,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,023,948	105,757	552,212	2,681,917

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 460,166
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,975,980
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	88,463
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,708)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(652,625)
Net assets of governmental activities (page 13)	<u><u>\$ 3,867,276</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,389,526	132,272	374,574	1,896,372
Tuition	346,632	0	0	346,632
Other	43,650	28,771	234,820	307,241
State sources	2,410,762	0	261	2,411,023
Federal sources	186,001	0	0	186,001
Total revenues	4,376,571	161,043	609,655	5,147,269
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,730,240	0	23,312	1,753,552
Special instruction	717,294	0	0	717,294
Other instruction	387,696	0	200,912	588,608
	2,835,230	0	224,224	3,059,454
Support services:				
Student services	103,308	0	250	103,558
Instructional staff services	240,437	0	500	240,937
Administration services	451,429	0	1,485	452,914
Operation and maintenance of plant services	431,790	0	42,573	474,363
Transportation services	121,285	0	69,388	190,673
	1,348,249	0	114,196	1,462,445
Non-instructional programs	0	0	2,646	2,646
Other expenditures:				
Facilities acquisitions	0	30,374	160,334	190,708
Long-term debt:				
Principal	0	0	80,000	80,000
Interest and fiscal charges	0	0	31,930	31,930
AEA flowthrough	151,690	0	0	151,690
	151,690	30,374	274,910	456,974
Total expenditures	4,335,169	30,374	613,330	4,978,873
Excess(deficiency) of revenues over(under) expenditures	41,402	130,669	(3,675)	168,396
OTHER FINANCING SOURCES:				
Sale of equipment	588	0	0	588
Net change in fund balances	41,990	130,669	(3,675)	168,984
Fund balance beginning of year	101,608	(24,912)	214,486	291,182
Fund balance end of year	\$ 143,598	105,757	210,811	460,166

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ 168,984

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 264,468	
Depreciation expense	<u>(202,794)</u>	61,674

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 80,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 547

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 7,394

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early Retirement	\$ (7,959)	
ISEBA Assessment	<u>4,022</u>	<u>(3,937)</u>

Changes in net assets of governmental activities(page 14) \$ 314,662

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 18,848
Inventories	3,412
Capital assets, net of accumulated depreciation (Note 3)	11,681
TOTAL ASSETS	<u>33,941</u>
LIABILITIES	
Salaries and benefits payable	13,190
Deferred revenues:	
Other	2,691
TOTAL LIABILITIES	<u>15,881</u>
NET ASSETS	
Investment in capital assets, net of related debt	11,681
Unrestricted	6,379
TOTAL NET ASSETS	<u>\$ 18,060</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 113,505
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	77,170
Benefits	13,182
Services	6,650
Supplies	130,754
Depreciation	3,274
TOTAL OPERATING EXPENSES	<u>231,030</u>
OPERATING LOSS	<u>(117,525)</u>
NON-OPERATING REVENUES:	
State sources	3,660
Federal sources	110,346
Interest income	43
TOTAL NON-OPERATING REVENUES	<u>114,049</u>
Change in net assets	(3,476)
Net assets beginning of year	<u>21,536</u>
Net assets end of year	<u><u>\$ 18,060</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 113,517
Cash received from miscellaneous sources	477
Cash payments to employees for services	(90,669)
Cash payments to suppliers for goods or services	(122,634)
Net cash used in operating activities	<u>(99,309)</u>
Cash flows from non-capital financing activities:	
State grants received	3,660
Federal grants received	96,367
Net cash provided by non-capital financing activities	<u>100,027</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,929)
Net cash used in capital and related financing activities	<u>(5,929)</u>
Cash flows from investing activities:	
Interest on investments	43
Net cash provided by investing activities	<u>43</u>
Net decrease in cash and cash equivalents	(5,168)
Cash and cash equivalents at beginning of year	<u>24,016</u>
Cash and cash equivalents at end of year	<u>\$ 18,848</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (117,525)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,979
Depreciation	3,274
Decrease in inventories	791
Decrease in salaries and benefits payable	(317)
Increase in deferred revenue	489
Net cash used in operating activities	<u>\$ (99,309)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 18,848</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$13,979.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Guthrie Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Guthrie Center, Iowa, and the predominate agricultural territory in Guthrie and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Guthrie Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Guthrie Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax

accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services and non-instructional services functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,800	0	0	49,800
Construction in progress	198,718	43,618	172,268	70,068
Total capital assets not being depreciated	248,518	43,618	172,268	119,868
Capital assets being depreciated:				
Buildings	5,337,900	319,360	0	5,657,260
Land improvements	327,301	0	0	327,301
Machinery and equipment	586,981	73,758	0	660,739
Total capital assets being depreciated	6,252,182	393,118	0	6,645,300
Less accumulated depreciation for:				
Buildings	2,023,716	129,727	0	2,153,443
Land improvements	152,632	16,365	0	168,997
Machinery and equipment	410,046	56,702	0	466,748
Total accumulated depreciation	2,586,394	202,794	0	2,789,188
Total capital assets being depreciated, net	3,665,788	190,324	0	3,856,112
Governmental activities capital assets, net	\$ 3,914,306	233,942	172,268	3,975,980
Business-type activities:				
Machinery and equipment	\$ 52,442	5,929	0	58,371
Less accumulated depreciation	43,416	3,274	0	46,690
Business-type activities capital assets, net	\$ 9,026	2,655	0	11,681
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 15,471
Support services:				
Operation and maintenance of plant				3,875
Transportation				37,356
				56,702
Unallocated depreciation				146,092
Total governmental activities depreciation expense				\$ 202,794
Business-type activities:				
Food services				\$ 3,274
Total business-type activities depreciation expense				\$ 3,274

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 705,000	0	80,000	625,000	75,000
Early Retirement	19,666	27,625	19,666	27,625	27,625
	\$ 724,666	27,625	99,666	652,625	102,625

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue of July 1, 2001			
	Interest Rates	Principal	Interest	Total
2007	4.20	75,000	28,250	103,250
2008	4.30	80,000	25,100	105,100
2009	4.40	85,000	21,660	106,660
2010	4.50	90,000	17,920	107,920
2011	4.60	95,000	13,870	108,870
2012	4.70	100,000	9,500	109,500
2013	4.80	100,000	4,800	104,800
Total		\$ 625,000	121,100	746,100

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. At June 30, 2006, the District had obligations to two participants with a total liability of \$27,625. Early retirement benefits paid during the year ended June 30, 2006 totaled \$19,666.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$148,053, \$141,514, and \$140,551, respectively, equal to the required contributions for each year.

(6) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$151,690 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Construction Commitment

As of June 30, 2006, costs of \$70,068 had been incurred for the construction of the student project house. When the construction is completed, the building will be added to the capital assets.

(9) Negative Account Balances

Several individual accounts within the Student Activity Fund had negative balances at June 30, 2006.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, disbursements in the support services and non-instructional functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL- ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 2,550,245	113,548	2,663,793	2,491,651	2,491,651	172,142
State sources	2,411,023	3,660	2,414,683	2,385,693	2,385,693	28,990
Federal sources	186,001	110,346	296,347	411,000	411,000	(114,653)
Total receipts	5,147,269	227,554	5,374,823	5,288,344	5,288,344	86,479
Expenditures:						
Instruction	3,059,454	0	3,059,454	3,793,844	3,793,844	734,390
Support services	1,462,445	0	1,462,445	1,221,500	1,411,500	(50,945)
Non-instructional programs	2,646	231,030	233,676	215,000	226,000	(7,676)
Other expenditures	454,328	0	454,328	434,766	470,000	15,672
Total disbursements	4,978,873	231,030	5,209,903	5,665,110	5,901,344	691,441
Excess(deficiency) of revenues over(under) expenditures	168,396	(3,476)	164,920	(376,766)	(613,000)	777,920
Other financing sources, net	588	0	588	1,400	1,400	(812)
Excess (deficiency) of expenditures and other financing sources over (under) disbursements	168,984	(3,476)	165,508	(375,366)	(611,600)	777,108
Balance beginning of year	291,182	21,536	312,718	738,397	738,397	(425,679)
Balance end of year	\$ 460,166	18,060	478,226	363,031	126,797	351,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$236,234.

During the year ended June 30, 2006, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds					Total
	Manage-	Physical	Student	Total	Debt	Total
	ment	Plant and	Activity	Special	Service	Other
		Equipment		Revenue		Nonmajor
		Levy		Funds		Governmental
						Funds
ASSETS						
Cash and pooled investments	\$ 69,326	48,013	46,423	163,762	38,386	202,148
Receivables:						
Property tax:						
Delinquent	1,873	4,202	0	6,075	2,588	8,663
Succeeding year property tax	85,000	152,751	0	237,751	103,650	341,401
TOTAL ASSETS	\$ 156,199	204,966	46,423	407,588	144,624	552,212
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	85,000	152,751	0	237,751	103,650	341,401
Fund balances:						
Reserved for debt service	0	0	0	0	40,974	40,974
Unreserved fund balances	71,199	52,215	46,423	169,837	0	169,837
	71,199	52,215	46,423	169,837	40,974	210,811
TOTAL LIABILITIES AND						
FUND BALANCES	\$ 156,199	204,966	46,423	407,588	144,624	552,212

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				Total	
	Physical		Total		Other	
	Plant and	Student	Special	Debt	Nonmajor	
	Equipment	Activity	Revenue	Service	Governmental	
	Manage- ment	Levy	Funds		Funds	
REVENUES:						
Local sources:						
Local tax	\$ 80,184	182,193	0	262,377	112,197	374,574
Other	3,904	20,321	209,373	233,598	1,222	234,820
State sources	56	127	0	183	78	261
TOTAL REVENUES	84,144	202,641	209,373	496,158	113,497	609,655
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	23,312	0	0	23,312	0	23,312
Other instruction	0	0	200,912	200,912	0	200,912
Support services:						
Student services	250	0	0	250	0	250
Instructional staff services	500	0	0	500	0	500
Administration services	1,485	0	0	1,485	0	1,485
Operation and maintenance of plant services	32,054	10,519	0	42,573	0	42,573
Transportation services	9,409	59,979	0	69,388	0	69,388
Non-instructional:						
Food service operations	2,646	0	0	2,646	0	2,646
Other expenditures:						
Facilities acquisition	0	160,334	0	160,334	0	160,334
Long-term debt:						
Principal	0	0	0	0	80,000	80,000
Interest and fiscal charges	0	0	0	0	31,930	31,930
TOTAL EXPENDITURES	69,656	230,832	200,912	501,400	111,930	613,330
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,488	(28,191)	8,461	(5,242)	1,567	(3,675)
FUND BALANCE BEGINNING OF YEAR	56,711	80,406	37,962	175,079	39,407	214,486
FUND BALANCE END OF YEAR	\$ 71,199	52,215	46,423	169,837	40,974	210,811

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	1,493	1,493	0
Odyssey of Mind	2,768	3,558	4,021	2,305
Drama	3,237	1,157	1,489	2,905
Vocal Club	7,405	1,480	2,146	6,739
Band Club	(4,254)	1,650	1,608	(4,212)
Basketball	0	13,528	10,867	2,661
Football	0	17,650	17,440	210
Baseball/Softball	(1,331)	4,726	5,404	(2,009)
Track	(1,564)	3,675	6,003	(3,892)
Wrestling	(1,541)	10,870	10,440	(1,111)
Volleyball	(1,542)	4,677	5,575	(2,440)
Summer Little League	5,071	8,158	5,934	7,295
FFA	3,651	23,810	25,840	1,621
FCCLA	(302)	4,568	4,221	45
Honor Society	1,376	211	430	1,157
Student Council	2,390	7,238	6,809	2,819
Foreign Language	536	0	0	536
Art Club	716	45	87	674
Yearbook	(3,996)	12,330	9,550	(1,216)
Cheerleaders	(2,658)	7,506	2,795	2,053
Change Fund	(575)	320	200	(455)
General Fund	0	22,326	21,242	1,084
Student Activities	0	6,377	4,690	1,687
Weightlifting	268	0	106	162
JH Student Council	5,128	2,640	5,714	2,054
Extra Curricular	2,113	9,083	11,281	(85)
Elementary Fund	15,367	27,959	21,833	21,493
Class of 2005	664	0	664	0
Class of 2006	3,845	638	4,314	169
Class of 2007	602	11,198	8,651	3,149
Class of 2008	588	232	25	795
Class of 2009	0	270	40	230
Total	\$ 37,962	209,373	200,912	46,423

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,896,372	1,787,200	1,673,830	1,491,203
Tuition	346,632	312,103	270,742	257,047
Other	307,241	371,945	344,208	218,073
Intermediate sources	0	0	0	300
State sources	2,411,023	2,151,274	1,917,582	1,778,243
Federal sources	186,001	209,267	331,065	204,056
Total	<u>\$ 5,147,269</u>	<u>4,831,789</u>	<u>4,537,427</u>	<u>3,948,922</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,753,552	1,785,551	1,779,400	1,655,602
Special instruction	717,294	595,563	593,548	548,696
Other instruction	588,608	697,022	500,945	486,875
Support services:				
Student services	103,558	92,388	108,849	70,531
Instructional staff services	240,937	116,313	101,570	101,752
Administration services	452,914	444,608	437,730	436,301
Operation and maintenance of plant services	474,363	416,550	374,308	366,086
Transportation services	190,673	212,761	109,573	106,067
Non-instructional programs:	2,646	0	0	0
Other expenditures:				
Facilities acquisitions	190,708	257,539	100,891	12,140
Long-term debt:				
Principal	80,000	75,000	70,000	70,000
Interest and fiscal charges	31,930	34,968	37,667	40,397
AEA flow-through	151,690	139,824	135,150	137,379
Total	<u>\$ 4,978,873</u>	<u>4,868,087</u>	<u>4,349,631</u>	<u>4,031,826</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Guthrie Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Guthrie Center Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie Center Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Guthrie Center Community School District and other parties to whom Guthrie Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Guthrie Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 23, 2006

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Authorized Check Signatures - In the Board minutes, Superintendent Smith is designated to sign Nutrition Fund checks in the absence of the Board President. According to District policy, the Vice President of the Board can sign checks in the absence of the Board President. Even so, some checks written from the Schoolhouse Fund only had the Board Secretary's signature, not two signatures as required by Chapter 291.1 of the Code of Iowa.

Recommendation - The Board President or designated individual and the Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We will make sure we have the necessary signatures.

Conclusion - Response accepted.

I-C-06 Supporting Documents for Payments with Credit Cards - The District has a policy in place for credit card usage that states the users of the credit cards need to provide detailed receipts for purchases made as well as the credit card receipt indicating the date, purpose, and nature of the expense for each claim item. Failure to do so makes the expense the responsibility of the employee that was responsible for the expense. Furthermore District policy states, in special circumstances the Superintendent or the Board can approve a claim without proper receipt but there needs to be written documentation explaining the circumstances.

We noted during our audit that payments made with the District credit card for meals during the SAI conference do not always have detailed supporting documentation. For meal expenses, the credit card receipt was submitted but there was no detail on the receipt to indicate whether the expense was solely for the employee of the District or the employee and his/her spouse.

Recommendation - The District should review this policy with employees using the District credit card and implement procedures to ensure that the policy is followed when submitting credit card receipts.

Response - We will have detailed receipts.

Conclusion - Response accepted.

I-D-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Activity Fund which have been outstanding for over a year.

Recommendation - The District needs to forward these checks to the Treasurer of Iowa after a reasonable length of time.

Response - We will comply.

Conclusion - Response accepted.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amended certified budget amounts in the support services and non-instructional function areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - In the future the budget will be amended when needed.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary Spouse owns Rees Repair	Repairs	\$26
Kelly Nielsen, Teacher Graphics on T-shirts	Purchased Services	\$737

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of Joni Rees do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with the Kelly Nielsen do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition - The District had several deficit account balances in the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will monitor these funds and investigate any available options to eliminate these deficits.

Conclusion - Response accepted.